



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
SEPTEMBER 4, 2003

CONTACT: U.S. ATTORNEY'S OFFICE
MARVIN SMILON, HERBERT HADAD,
MICHAEL KULSTAD
PUBLIC INFORMATION OFFICE
(212) 637-2600

**U.S. CHARGES EX-GOLDMAN SACHS VICE PRESIDENT
AND CONSULTANT WITH INSIDER TRADING IN U.S. TREASURY BONDS**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced the unsealing of a seven-count Indictment in Manhattan federal court today charging JOHN M. YOUNGDAHL, until recently a Vice President and Senior Economist at Goldman Sachs & Co., Inc. ("Goldman Sachs"), with insider trading in United States Treasury Securities, perjury, false statements and other charges.

The Indictment alleges that beginning in July of 2001, YOUNGDAHL and PETER J. DAVIS, JR., a political consultant from Washington, D.C., agreed that DAVIS would leak confidential information from quarterly refunding press conferences at the United States Treasury Department to YOUNGDAHL in advance of the embargo time set by the Treasury Department.

The Indictment alleges that in furtherance of the scheme DAVIS attended a quarterly refunding press conference at the Treasury Department's offices in Washington on October 31, 2001. According to the Indictment, during that press conference, the Treasury Department announced, among other things, that it

was suspending the issuance of 30-Year Treasury Bonds. At the press conference, the Treasury Department informed the attendees that the public release of this information was embargoed until 10:00 A.M.

At approximately 9:35 A.M., and in violation of the embargo, DAVIS telephoned YOUNGDAHL and informed YOUNGDAHL that the Treasury Department had announced that it was suspending the issuance of 30-Year Treasury Bonds and that this information was subject to a 10:00 A.M. embargo. YOUNGDAHL, in turn, tipped several traders at Goldman Sachs who, while in possession of this information, purchased approximately \$84 million in 30-Year Treasury Bonds and approximately \$233.6 million in 30-Year Treasury Bond futures contracts before the public release of this information.

Treasury's decision to suspend issuance of the 30-Year Treasury Bond sparked one of the biggest single-day rallies in the history of the United States bond market. Although the Treasury Department inadvertently released this information at approximately 9:43 A.M., shortly before the scheduled 10:00 A.M. release time, according to the Indictment, Goldman earned approximately \$3.8 million from its trading that morning.

The Indictment also charges YOUNGDAHL with making false statements to federal agents during the criminal investigation, perjury before the United States Securities and Exchange Commission (the "SEC"), conspiracy, wire fraud, and conversion of Government property.

Mr. COMEY also announced that PETER J. DAVIS, JR. pled guilty yesterday to a felony Information charging him with insider trading, conspiracy, and conversion of Government property in connection with his role in the scheme. During his plea allocution in open court, DAVIS stated that on July 12, 2001, he received an e-mail from YOUNGDAHL in which YOUNGDAHL asked DAVIS if he could provide YOUNGDAHL with information from the Treasury Department in advance of the embargo time as "a routine matter" beginning with the August 1, 2001 quarterly refunding press conference.

According to DAVIS, he agreed to provide YOUNGDAHL with the embargoed information and, in fact, did so. DAVIS stated that after the October 31, 2001 quarterly refunding press conference at approximately 9:35 A.M., he called YOUNGDAHL and, in breach of the embargo, told YOUNGDAHL that Treasury was discontinuing the 30-Year Treasury Bond and that the information was embargoed until 10:00 A.M. DAVIS stated that he expected that YOUNGDAHL and Goldman Sachs "would use the information to their advantage in trading government securities."

YOUNGDAHL, 44, resides in Summit, New Jersey. DAVIS, 53, resides in Washington, D.C.

Mr. COMEY stated: "A scheme to steal confidential information from the Treasury Department and tip off others shakes the confidence of the investing public. It is not to be tolerated. As this case demonstrates, it is serious criminal behavior and we will prosecute the criminals who attempt it."

Mr. COMEY praised the efforts of the United States Postal Inspection Service, and thanked the SEC, the Treasury Department and the Commodity Futures Trading Commission for their assistance in the investigation of this case.

Mr. COMEY said the investigation is continuing.

Assistant United States Attorneys ROBERT H. HOTZ, Jr. and BRIAN D. COAD are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

03-206

###

